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**MMARS Policy: Payroll**

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## **Guidelines for Determining Medicare Tax Status**

The term "Employee" used in this document refers to both state and contract employees

| #                       | Scenario  | Has Break in Service Occurred? | Explanation   | Employee's Medicare Tax Status Setup in HR/CMS |
|-------------------------|---|--------------------------------|---|--|
| <b>First Time Hires</b> |   |                                |   |  |
| 1                       | Employee was hired before April 1, 1986 into a Commonwealth Department and has worked continuously for that Department since that time  | No                             | Employee was hired before April 1, 1986, which qualifies them as exempt from Medicare tax withholding   | Exempt (E)                                     |
| 2                       | Employee is hired on or after April 1, 1986 into a Commonwealth Department  | N/A                            | Employee was hired on or after April 1, 1986, which requires them to pay Medicare tax   | Medicare only (M)                              |
| <b>Transfers</b>        |   |                                |   |  |
| 3                       | Employee was hired before April 1, 1986 into a Commonwealth Department. He/she transfers after April 1, 1986 from one Commonwealth employer to another Commonwealth employer (both of which use the same Employer identification number for tax reporting). The employee begins working for the new Commonwealth employer on the next business day after leaving their last Commonwealth employer | No                             | If employee begins work with the new Commonwealth employer on the next business day after leaving their old Commonwealth employer, no break in service has occurred | Exempt (E)                                     |
| <b>Concurrent Jobs</b>  |   |                                |   |  |
| 4                       | Employee was hired before April 1, 1986 into a Commonwealth Department. He/she transfers after April 1, 1986 from one Commonwealth employer to another Commonwealth employer (both of which use the same Employer Identification number for tax reporting). The employee begins working for the new Commonwealth employer after taking a week off between jobs.                                   | Yes                            | If employee takes time off before going to work for their new Commonwealth employer that is considered a break in service   | Medicare only (M)                              |

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| 5  | Employee was hired before April 1, 1986 by an authority or a local, municipal, federal, county or other state government. He/she was hired after April 1, 1986 to a Commonwealth employer, who does not use the same Employer Identification number for tax reporting  | Yes                                   | Employee is going to work for a Commonwealth employer, who does not report under the same Employer Identification Number (EIN) as the local, municipal, authorities, federal, county or another state, therefore it is a new employee relationship                          | Medicare only (M)   |
| 6  | Employee was hired before April 1, 1986 into a Commonwealth Department. Employee starts a part time job after April 1, 1986 with another Commonwealth employer, who uses the same Employer Identification number for tax reporting as the original Department. The employee works both jobs concurrently (primary and secondary).                              | No                                    | Employee is exempt from Medicare tax on their primary job due to their hire date (before April 1, 1986). No break in service has occurred; therefore, the employee remains exempt from Medicare tax in their secondary job.   | Exempt (E)<br><br>(for both jobs)   |
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| #  | <b>Scenario</b>  | <b>Has Break in Service Occurred?</b> | <b>Explanation</b>  | <b>Employee's Medicare Tax Status Setup in HR/CMS</b>   |
| 7  | Employee was hired before April 1, 1986 into a Commonwealth Department. Employee starts a part time job after April 1, 1986 with another Commonwealth employer, who uses the same Employer Id number as the original Department. The employee works both jobs concurrently. The employee is terminated from the original record but remains at the second job. | No                                    | Employee is exempt from Medicare tax due to their hire date (before April 1, 1986). No break in service has occurred because the employee was continuously employed by the Commonwealth. Therefore, the employee remains exempt from Medicare tax in their secondary job.   | Exempt (E)  |
| 8  | Students who are working in a local school, college, university, local college club, fraternity or sorority and are enrolled and attending classes at that school  | N/A                                   | Students who are enrolled and attending classes on at least a <b>half-time</b> basis (for at least 6 credit hours) and who work at the <b>same</b> institution, are exempt from Medicare tax regardless of date of hire   | Exempt (E)  |
| 9  | Students who are working for a local school, college, university, local college club, fraternity or sorority and are enrolled and attending classes at a <b>different</b> school, college, or university. Students who work (as an intern or otherwise) at a state Department  | N/A                                   | In order for the student to be exempt from Medicare, that student must be working at the same school they attend. In this case, the student is not exempt from Medicare   | Medicare only (M) in the record(s) at the school he/she does not attend. Medicare only (M) in the record(s) at the state Department                           |
| 10 | Students who are working during a school break in a local school, college, university, local college club, fraternity or sorority are enrolled and attending classes at that school during the school year   | N/A                                   | If the school break is less than five weeks, the student is exempt. If over 5 weeks (e.g., summer), students are subject to Medicare unless enrolled in summer school classes for at least 3 credits (non-credit courses will not qualify students for Medicare exemption). | Exempt (E) if break is less than five weeks or (if summer) student is enrolled in summer school classes for at least 3 credits. Medicare only (M) if break is |

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|    |   |                                       |  | over five weeks and student is not enrolled in summer classes for at least 3 credits. |
| 11 | Student nurses who are working in a hospital or a nurse's training school (which is chartered or approved by state law) and are enrolled and attending classes at that school   | N/A                                   | Students who are enrolled and attending classes at the same school they are working in are exempt from Medicare tax regardless of the date of hire   | Exempt (E)  |
|    | <b>Higher Ed Faculty</b>  |                                       |  |   |
| 12 | Adjunct faculty who are hired before April 1, 1986 and whose regular schedule does not include working during the summer or a specific semester, and is always active in HRCMS  | N/A                                   | Employee who works for nine months during the year but who has an active record in HRCMS is still employed with the Commonwealth                     | Exempt (E). There is no break in service  |
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| #  | <b>Scenario</b>   | <b>Has Break in Service Occurred?</b> | <b>Explanation</b>   | <b>Employee's Medicare Tax Status Setup in HR/CMS</b>                                 |
| 13 | Employee was hired before April 1, 1986 with the Commonwealth. Some time after April 1, 1986, he/she is hired as contract employee to teach evening classes in one of the state universities, colleges, or community colleges who use the same employers identification number (EIN) as the Commonwealth for tax reporting purposes | N/A                                   | Employee was hired before April 1, 1986 in his/her primary job which qualifies him/her as exempt from Medicare tax withholding                       | Exempt (E).   |
|    | <b>Ministers</b>  |                                       |  |   |
| 14 | Commissioned or licensed church ministers who are performing services in the exercise of his/her ministry   | N/A                                   | Church ministers performing services as part of his/her ministry are exempt from Medicare tax regardless of date of hire                             | Exempt (E)  |
|    | <b>Temporary Emergency Workers</b>  |                                       |  |   |
| 15 | Temporary workers hired for fire, snow, flood or similar emergencies  | N/A                                   | Temporary workers hired for fire, snow, flood or similar emergencies are exempt from Medicare tax regardless of date of hire                         | Exempt (E)  |
|    | <b>Election Officials</b>   |                                       |  |   |
| 16 | Election officials or workers receiving less than \$100 in a calendar year for such services  | N/A                                   | Election officials or workers receiving less than \$100 in a calendar year for such services are exempt from Medicare tax regardless of date of hire | Exempt (E)  |
|    | <b>Unemployment Relief</b>  |                                       |  |   |
| 17 | Employee who is hired by a Commonwealth employer to relieve unemployment  | N/A                                   | Employees hired to relieve unemployment, regardless of date of hire, are exempt from Medicare tax.   | Exempt (E)  |
|    | <b>Patients or Inmates</b>  |                                       |  |   |
| 18 | Patients or inmates working in hospitals, homes or other institutions   | N/A                                   | Patients or inmates are exempt from Medicare tax regardless of   | Exempt (E)  |

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|  |  |  | date of hire |  |
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### **Information Sources**

- [Contacts – CTR Help Desk](#)
- **November 1, 2006** – Removed language referencing Knowledge Center and updated relevant links to Mass.gov/osc portal site.